

set forth in paragraph (f)(2) of this section; indicate the report date, fiscal year audited, and identifying information on the independent auditor; and attach a copy of the Schedule of Federal Financial Assistance.

(g) Recipients of more than \$100,000 in Federal funds shall submit one copy of the audit report, within 30 days after issuance, to a central clearing house, designated by OMB. The clearing house will keep completed audits on file and follow up with State and local governments that have not submitted required audit reports.

(h) Recipients shall keep audit reports on file for three years after their issuance.

(Approved by the Office of Management and Budget under control number 2535-0094)

[51 FR 39086, Sept. 27, 1986 (interim rule) and 51 FR 30480, Aug. 27, 1986 (final rule), as amended at 60 FR 15482, Mar. 24, 1995]

§ 44.11 Audit resolution.

(a) As described in § 44.8, the cognizant agency shall be responsible for monitoring the resolution of audit findings that affect the programs of more than one Federal agency. Resolution of findings that relate to the programs of a single Federal agency will be the responsibility of the recipient and that agency. Alternative arrangements may be made on a case-by-case basis by agreement among the agencies concerned.

(b) Resolution shall be made within six months after receipt of the report by the Federal departments and agencies. Corrective action should proceed as rapidly as possible.

§ 44.12 Audit workpapers and reports.

Workpapers and reports shall be retained for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period. Audit workpapers shall be made available upon request to the cognizant agency or its designee or the General Accounting Office, at the completion of the audit.

(Approved by the Office of Management and Budget under control number 2535-0094)

§ 44.13 Audit costs.

The cost of audits made in accordance with the audit requirements of this part are allowable charges to Federal assistance programs.

(a) The charges may be considered a direct cost or an allocated indirect cost, determined in accordance with the provisions of OMB Circular A-87, "Cost principles for State and local governments."

(b) Generally, the percentage of costs charged to Federal assistance programs for a single audit shall not exceed the percentage that Federal funds expended represent of total funds expended by the recipient during the fiscal year. The percentage may be exceeded, however, if appropriate documentation demonstrates higher actual cost.

§ 44.14 Sanctions.

No cost may be charged to Federal assistance programs for audits that are required by this part, but are not conducted in accordance with the audit requirements of this part. In case of a recipient's continued inability or unwillingness to have a proper audit, Federal agencies shall consider other appropriate sanctions, including:

(a) Withholding a percentage of assistance payments until the audit is completed satisfactorily;

(b) Withholding or disallowing overhead costs; and

(c) Suspending the Federal assistance agreement until the audit is made.

§ 44.15 Auditor selection.

In arranging for audit services, State and local governments shall follow the procurement standards prescribed in 24 CFR 85.36. The standards provide that, while recipients are encouraged to enter into intergovernmental agreements for audit and other services, analysis should be made to determine whether it would be more economical to purchase the services from private firms. In instances where use of such intergovernmental agreements are required by a State statute (e.g., audit services) the State statute will take precedence.

[53 FR 8056, Mar. 11, 1988]